Credit to Commercial Banks by Banks/ Financial Institutions

340. DR. MOHAN BABU:
SHRI SOLIPETA RAMACHANDRA REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether banks and financial institutions are flushed with funds which can be lent to commercial sector;

(b) whether the credit to the commercial sector has been sluggish in spite of its acute liquidity problem due to high rates of interest from these institutions;

(c) whether Government are aware that a distortion has been created between the commercial banks and the financial institutions with respect to these funds on account of costlier credit of the financial institutions due to higher rates of fund collections than banks; and

(d) steps Government have taken or propose to take to ensure that the financial institutions do not get loaded with unused funds?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Reserve Bank of India (RBI) has reported that during the financial year 1996-97 (upto January 31, 1997), aggregate deposits of scheduled commercial banks showed a growth of Rs. 49,519 crore (11.4 per cent) as compared with an increase of Rs. 24,767 crores (6.4 per cent) during the corresponding period of previous year. Apart from the larger deposit accretion, banks have comfortable liquidity due to release of resources through successive reduction in the CRR by the Reserve Bank of India since November 1995 amounting to Rs. 7,525 crore during 1995-96 and Rs. 17,850 crore during 1996-97 upto January 1997. The lendable resources of banks have, therefore, increased during the current year. As regards financial institutions, RBI have reported that IDBI and IFCI are not flushed with funds and that ICICI has indicated that they have adequate funds to meet their borrowers' requirements.

(b) With regard to the interest rates in the banking system in the monetary policy announced by RBI on October 19, 1996, banks have been advised to pass on atleast part of their gains on account of CRR reductions to borrowers by reducing the Prime Lending Rate and also to announce the maximum spread over PLR. In the period subsequent to the announcement of the credit policy, banks have reduced their Prime Lending Rate and also indicated the maximum spread over Prime Lending Rate. As regards high interest rates charged by FIs, RBI has stated that they raise funds at market related rates of interest. As such, the lending rates of these institutions depends on their cost of funds. However, recently some term lending institutions, such as IDBI, ICICI, SCICI have reduced their interest rates.

(c) and (d) The sources of funds of FIs and banks are different. The sources of funds of commercial banks are mainly public deposits. Generally, funds mobilised by banks are of short to medium term in nature and most of their funds are deployed on a short to medium term basis. FIs however raise their funds by way of public and private placement of bonds, certificate of deposits and foreign currency loans on a medium to long term basis. These funds are raised by FIs at market related rates. Due to these differences, interest rates charged by FIs are different from those charged by banks.

Import Duty on Palm Oil

341. SHRI YERRA NARAYANASWAMY: Will the Minister of FINANCE be pleased to state:

(a) whether Government have reduced the import duties on palm oil;

(b) if so, the the reasons thereof;

(c) what were the compulsions behind the reduction of import duty on palm oil; and

(d) the present import duty structure on palm oil?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d) In the budget proposals for 1996-97, the basic customs duty on palm oil, edible grade in loose/bulk form (palmolein), was reduced from 30% to 20% and on RBD palm oil, RBD palm kernel oil and palm stearin from 50% to 40%. In addition to the above duty, special customs duty at the rate of 2% ad valorem is also leviable on imported oils with effect from 23.7.96. There has been no change in the above-mentioned duty rates since then. The import duty rates have been prescribed taking into account all relevant aspects and to

ensure adequate supply of edible oils to consumers at reasonable price.

Measures to Simplify/Rationalise/ Corporate/Personal Tax Structure

342. DR. B.B. DUTTA: Will the Minister of FINANCE be pleased to state:

(a) details of the measures taken by Government to simplify and rationalise the Corporate and Personal tax structure during the last three years;

(b) what were the basic objectives behind this exercise; and

(c) how far Government have achieved these objectives?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (c) Simplification and rationalisation of the corporate and personal tax structure is a continuous exercise and is engaging the attention of the Government for a long time. The basic objective behind this exercise is to re-align the tax rate structure with other developing countries in the region, to widen the tax base and to simplify and rationalise the tax laws. During the last three years, the personal and corporate tax rates have been brought down in order to achieve a moderate tax regime. Steps have been taken to widen the tax base, to achieve greater voluntary compliance, to attract foreign investment and to increase exports. Further, an expert group has submitted its report on a new simplified Income-tax Law.

करोलबाग स्थित स्टेट बैंक आफ इन्दौर शाखा को हुआ घाटा

343. **श्री गोविन्दराम मिरी:** क्या वित्त मंत्री 26 नवम्बर, 1996 को राज्य सभा में अतारांकित प्रश्न 388 के दिये गये उत्तर को देखेंगे और यह बताने की कृपा करेंगे कि:

(क) क्या यह सच है कि बैंक की गलती के कारण लगभग 4-5 करोड़ रुपये की हानि हुई है;

(ख) यदि हां, तो इन कर्जों की मंजूरी देने वाले उच्च अधिकारियों पर जिम्मेदारी तय न किये जाने के क्या कारण हैं; और

(ग) भविष्य में ऐसे घपलों को रोकने और कड़ा दण्ड देने के लिए क्या कार्यवाही की जायेगी?

वित्त मंत्री (श्री पी. चिदम्बरम): (क) स्टेट बैंक आफ इन्दौर ने सूचित किया है कि राज्य सभा के 26 नवम्बर, 1996 के अतारांकित प्रश्न सं॰ 388 के उत्तर में संदर्भित तीन कंपनियों के खातों से बैंक को कोई हानि नहीं पहुंची है।

(ख) और (ग) प्रश्न ही नहीं उठते।

External Debt

344. SHRI SOLIPETA RAMACHANDRA REDDY:
DR. MOHAN BABU:

Will the Minister of FINANCE be pleased to state:

(a) the latest position in regard to India's external debt during the current year;

(b) the amount of repayment to be made during 1996-97 in the form of principal and interest; and

(c) the amount of external borrowings during 1996-97?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) As per the latest estimates, the external debt outstanding on March, 31, 1996 was US $ 92.2 billion.

(b) The provisional estimates of total debt service payments comprising principal and interest payments on external debt during 1996-97 is US$ 13.54 billion.

(c) The external assistance on Government account during 1996-97 is estimated to be Rs. 9558 crores (revised estimates).

Interest Charged by Punjab and Sind Bank

345. SHRI PARAG CHALIHA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Punjab and Sind Bank is charging excess rate of interest of six per cent and more over and above the prime lending rate notified by Reserve Bank of India and thereby inflating its profit/reducing losses;

(b) if so, whether Reserve Bank of India has conducted detailed study into enormous rate of interest being charged by the district and